

4.3.4.82 Housing Authorities – Statement of Net Position – Additional Reporting Instructions

- 4.3.4.82.10 The authority may report as a single enterprise fund (one column) or as a group of programs (multiple columns)¹. If the authority uses the multiple columns (program) presentation a total enterprise fund column is necessary. If the authority chooses a single column presentation, the underlying program financial statements should be prepared for HUD reporting and audit purposes. These statements do not need to be included in the basic financial statements. However, they can be included as supplemental information. If the multiple column presentation is used, it will require additional audit resources.
- 4.3.4.82.15 In June of 1991, the Governmental Accounting Standards Board (GASB) issued its [Statement 14](#) ², which defines the financial reporting entity. The Statement is effective for financial statements for periods beginning after December 15, 1992, and requires governmental entities to evaluate their relationships with other organizations (both governmental and nongovernmental). If the authority has contracts that form Tax Credit Partnerships (TCP), the agreements need to be reviewed to determine how the entity should be reported. In almost all cases they are a part of the reporting entity and will be reported as either a discretely presented or blended component unit (depending on the relationship). GASB recommends reporting TCPs as component units (CUs) using discrete presentation; however, blended presentation may also be used.
- 4.3.4.82.20 When blended presentation is used it may be performed with either single column or multiple column presentation. Single column presentation reports the entity and CU in aggregate in one column. All duplicating transactions eliminated must be eliminated from the single business activities column.
- 4.3.4.82.25 The multicolumn presentation requires reporting of separate columns for the primary government (HA), blended component (TCP) and the total of the CU and HA account balance less eliminations. All duplicating transactions must be eliminated in the total column. The use of an additional eliminations column is optional. If the multicolumn presentation is used and an elimination column is not presented the eliminations information needs to be disclosed in the notes to the financial statements. GASB has indicated they prefer the multicolumn presentation for blended of CUs. However, because GASB has made exceptions the SAO will not require the standalone business activities to use the multicolumn approach to the blended CU presentation.
- 4.3.4.82.30 Application of the [GASB Statement 14](#) may result in the addition of a *Component Units* column (or columns) in the financial statements of the authority. The following forms do not contain provisions for component units. If the authority has a component unit as defined by [GASB Statement 14](#) the authority will need to make the appropriate modifications to the statements. The Manual discusses the reporting entity and potential component units in [GAAP Reporting Requirements](#) and provides examples of financial reporting of component units. For further information, refer to the Manual and the [GASB Statement 14](#).
- 4.3.4.82.35 If an authority reports a TCP using discrete presentation they may also optionally report an asset for their equity. The asset is reported as *Investment in Tax Credit Partnership* (see example on Statement of Net Position). This asset represents the authority equity as calculated by the contractual provisions forming the TCP. The amount reported must tie to the authority equity reported on the TCP's statement of owner's equity. Caution: The use of revenue allocation for the calculation of owner's equity may

¹ Additional financial statement audit requirements apply when multiple column presentation is used. This is due to additional opinion units.

² As updated by the [GASB Statement 39, Determining Whether Certain Organizations Are Component Units](#).

result in an incorrect amount for the *Investment in TCP*. The TCP contracts have separate owner's equity calculations and revenue/loss allocation sections. If an authority reports the *Investment in TCP* disclosure of the TCP as a discretely presented component unit with joint venture characteristics is required in the notes to the financial statements.

- 4.3.4.82.40 Housing authorities should not report capitalized start-up costs of Tax Credit Partnerships on either the primary government or Tax Credit Partnership financial statements.
- 4.3.4.82.41 The authority's asset, *Investment in Tax Credit Partnership*, may be shown if the TCP is discretely presented. The equity balance must be calculated using the contractual provisions and tie to the HA equity reported on the TCP's statement of owners' equity. Caution: The use of revenue allocation percentage for calculation may result in an incorrect amount for *Investment in TCP*. Owners' equity calculations are usually contained in a distinct separate section from the revenue/loss allocation terms4.3
- 4.3.4.82.45 Proper classification of grant and loan transactions require the analysis of the underlying documentation. The criteria for determining if a funding source is a grant or loan is the existence of a note payable or loan contract. Transactions should be reported as loans even if the grantor does not require payments, if a note payable is outstanding (i.e., loan with forgiveness clause).
- 4.3.4.82.50 Assets reported from loans with forgiveness clauses must be reported with a corresponding liability (loan payable) while the note payable or a loan contract is outstanding. Terms of these transactions need to be presented in the notes to the financial statement. The disclosures should include the assets acquired with the funds, conditions to be met for the transaction to become a grant, what conditions require repayment, and the amount to be repaid (interest, appreciated value, etc.). When an authority has satisfied the note payable or loan contract grant revenue can be recognized and the liability removed.
- 4.3.4.82.55 If the authority has received a recoverable grant the conditions for recoverability must be disclosed in the notes to the financial statements. A recoverable grant is a contract where the grantor can require repayment if the HA fails to provide low income housing with the funding. The grant contract also contains a stipulation that the asset acquired with grant funds be maintained as low income housing for 20 to 40 years. Recoverable grant contracts do not require a note payable or loan contract as a condition of funding. If the grantee sells or converts the asset to non-low income housing before the time requirement has expired the proceeds must be returned to the grantor. Some recoverable grant contracts also require return of the appreciation in value of the asset as well as the original funding amount. The items requiring disclosure include: the asset the grantor has an interest in, the amount the grantor can require to be returned, and the conditions that trigger return of the grantor interest.
- 4.3.4.82.60 Recoverable grants are non-exchange transactions and should be reported as revenue when the eligibility requirements are met. Grant eligibility requirements are considered to be met when the asset is in place and being used for low income purposes. A time requirement for maintaining low income housing by itself is not an eligibility requirement, placing the asset in use for low income purposes is the requirement.
- 4.3.4.82.65 GASB has recently issued new guidance on the reporting of other postemployment benefits (OPEB) in [GASB Statements 43](#) and [45](#). If the housing authority pays for OPEB benefits it will need to report the associated assets, liabilities and expenses. For information to determine if the statements are applicable, reporting requirements, and implementation dates refer to the [Other Postemployment Benefit \(OPEB\)](#).

- 4.3.4.82.66 Resources with external restrictions must be reported as restricted. The corresponding component of net position related to these assets must also be presented as restricted. Some HUD funding may require that their assets and net position be presented as unrestricted at the program level (FDS). Unless the HUD program funding can be used for any general cost by incurred by the PHA it must be reported as restricted on the GAAP statements. If program net position is reported as unrestricted on the FDS restricted on the GAAP statements we recommend putting a comment on the FDS to alert reviewers there is a difference to prevent rejection.

Change in Reporting Entity

- 4.3.4.82.70 GAAP requires primary governments with material changes in their reporting entity to report it. When applicable they must restate their beginning equity in the year of the change. They must also give disclosure for the nature of the change, the reason for it and changes in account balances.
- 4.3.4.82.75 If an authority creates or dissolves a component unit (i.e. tax credit partnership, not for profit, etc.) it has changed the financial reporting entity. Users of the financial statements need to be notified of this change because it often impairs comparability of the current financial activity with information provided in prior periods.
- 4.3.4.82.80 A change in reporting entity requires the primary government to remove or add all activity related to the change during the period it in which it occurs. The correction for the change is required for the entire fiscal period (i.e. from the beginning of the fiscal period). The new beginning equity should be reported as if the reporting entity had always included the change.
- 4.3.4.82.85 A restatement of beginning equity should be made for changes in equity due to the addition or removal of assets, liabilities, etc. from the primary government's financial statements. The restatement of beginning equity is reported as a change in accounting principle and shown as a direct adjustment to beginning fund net position on the operating statement.
- 4.3.4.82.90 A financial note should accompany the restatement and disclose:
- The nature of the change
 - The reason requiring the change
 - Reconciliation of changes in account balances requiring the restatement of beginning equity
 - If applicable, the effect of the changes on net position and operations.
- 4.3.4.82.95 A change in reporting entity may also affect other note disclosures. When assets or liabilities are added or removed, the beginning balance of these accounts should be restated in the appropriate sections of the table of changes for that note. These note changes should refer back to the accounting change note to explain the amount and reason for changes in the beginning balance of the accounts.